weekly economic review

September 14, 2012

Manufacturing Shipments

Shipments hold steady

Following three consecutive monthly decreases, Alberta manufacturing shipments increased by just 0.1% in July. Compared to the same time last year, shipments were up a modest 1.4%, the slowest increase in two years. The moderation was due to declines in petroleum and coal (-18.7%) and chemical (-8.4%) shipments, which account for close to 40% of total manufacturing output. Excluding these products, shipments were up a solid 14.4% over July 2011.

Housing Market

Pull back in new home construction

Alberta new home construction dropped to its lowest level in seven months in August. Housing starts were 27,700 (Seasonally adjusted annual rate, SAAR) last month, 10.9% less than a year ago, and 11.8% below July levels. However, Alberta housing starts are still up strongly year-to-date, rising 36.8% over the same period of 2011.

Nationally, starts hit 224,900 (SAAR), 17.5% higher than August 2011.

Alberta new house prices edge higher

The new housing price index for Alberta rose 1.5% in July compared to the same month last year, the largest increase in two years. Gains in Alberta were modest compared to increases in the rest of the country, especially Ontario (3.9%) and Manitoba (4.4%). Nationally, new house prices rose 2.3% over July 2011.

Merchandise Trade

Weak export gains in July

Alberta's merchandise exports were largely unchanged (-0.03%) from a year ago, the third straight month of fairly flat growth. Year-over-year gains in energy and forestry were offset by declines in agriculture, industrial goods & materials and machinery & equipment.

Canada's merchandise trade deficit widened to $2.3B, the largest ever, as exports fell more than imports.

Industry Capacity Utilization

Economy operating closer to capacity

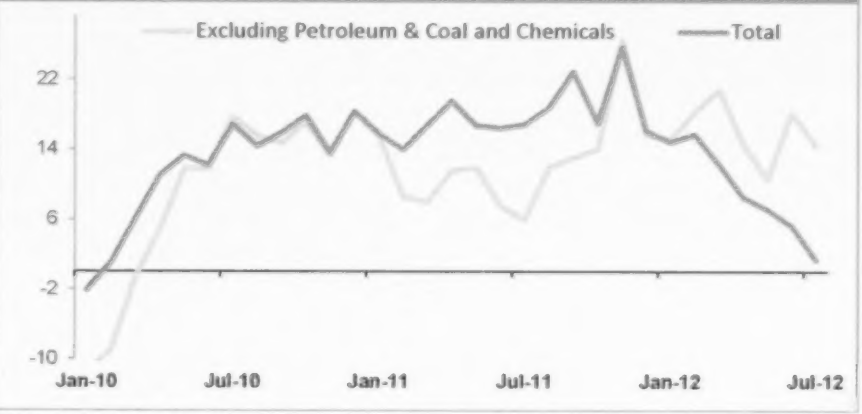
Canada's capacity utilization rate increased 0.5 percentage points to 81% in the second quarter, suggesting the economy is operating closer to its potential. The oil and gas industry, which is concentrated in Alberta, continues to operate near capacity; its utilization rate increased 1.3 percentage points to 89.9%, the highest level since late 2002, and second across all industries. Capacity utilization measures current output as a percentage of maximum industry output given existing capital stock.

International Economy

Federal Reserve announces bond buying program to bolster weak labour markets

The Federal Reserve took aggressive steps to boost the US economy, with the announcement of a significant bond buying program this week. The Federal Reserve Open Market Committee (FOMC) committed to buying $40B dollars worth of Mortgage Backed Securities every month until conditions in the labour market improve. The FOMC hopes to put downward pressure on longer-term interest rates, support the mortgage markets and improve broader financial conditions. In addition to the bond purchases, the FOMC suggested it will keep the federal funds rate between 0 and 0.25% until mid-2015 and continue to lengthen the maturity of its assets by selling short-term assets and buying medium-term ("Operation Twist"). The FOMC announcement lifted financial markets.

Alberta Manufacturing Shipments (year-over-year per cent change)



Source: Statistics Canada

Closing Prices	Septmber 6, 2012	September 13, 2012	2012–13 Fiscal YTD
Canadian Dollar (US¢/$CAN)	101.76	102.53	99.40
WTI Oil ($US/bbl)	$96.53	$96.11	$92.74
NYMEX Natural Gas ($US/MMBtu)	$2.78	$3.04	$2.58

Alberta Economic Indicators[1]

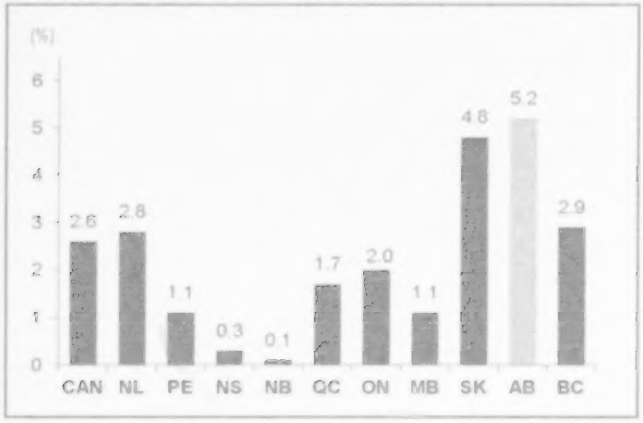
Population	2010	2011	2012YTD	Mar	Apr	May	Jun	Jul	Aug
Population[2] (000s)	3,721	3,779	3,847		3,847				
% change	1.8	1.6	2.0		2.4				
Net Interprovincial Migration[3] (level)	3,271	13,660	22,543		12,396				
Net International Migration[3] (level)	21,783	14,000	17,500		8,673				
Net Non-permanent Residents[3] (level)	11,5	7,988	5,047		2,782				
Labour Market									
Employment (000's)	2,016	2,095	2,147	2,132	2,143	2,155	2,144	2,150	2,154
% change	0.4	3.8	3.1	3.1	2.9	4.1	2.7	2.2	2.1
Unemployment Rate (%)	6.5	5.5	4.8	5.2	4.9	4.5	4.6	4.6	4.4
Participation Rate (%)	72.8	73.7	73.7	74.0	73.9	73.7	73.5	73.5	73.5
Average Weekly Earnings ($)	900.28	1,038.69	1,058.30	1,054.38	1,066.84	1025.07	1070.68		
% change	4.6	4.6	2.7	2.1	2.7	2.3	4.1		
Price Indices									
Consumer Price Index	1.0	2.4	1.4	1.7	0.8	0.4	1.1	0.8	
Excluding food and energy	0.7	0.8	1.5	1.6	2.1	1.5	1.6	1.8	
Non-Res. Building Cost Price Index[4]	0.1	3.4	4.3	4.2			4.1		
Farm Product Price Index	1.5	17.2	4.7	5.8	1.8	4.4	4.1		
Crops	9.7	18.5	1.6	-0.1	1.3	1.3	1.4		
Livestock	5.7	17.5	7.2	6.7	3.9	4.7	4.5		
Household Sector									
NEW: Housing Starts (SAAR 000's)	26.9	25.5	32.5	35.6	30.9	31.6	32.8	31.4	32.7
% change	34.8	5.2	30.0	70.3	19.6	33.8	41.2	23.1	10.4
NEW: New Housing Price Index[4]	0.5	0.4	0.9	0.8	1.2	1.0	1.2	1.5	
Edmonton	0.8	0.9	0.9	0.8	1.1	1.1	0.9	0.8	
Calgary	1.5	-0.1	1.0	0.4	0.3	0.8	1.7	2.5	
MLS Average Resale Price ($ 000's)	360.9	352.7	359.2	358.6	357.4	365.5	363.5	362.8	
% change	3.1	0.5	1.1	2.6	1.3	4.9	2.5	3.1	
Edmonton ($ 000's)	326.5	324.2	332.3	331.3	327.5	334.7	332.2	331.6	
% change	2.3	-0.7	2.9	3.8	3.3	4.0	3.7	1.1	
Calgary ($ 000's)	397.4	401.9	405.6	407.5	408.0	413.3	410.2	410.7	
% change	3.4	1.1	0.8	2.4	1.3	2.4	2.3	3.0	
Retail Sales	6.0	6.9	8.8	9.3	7.6	9.3	6.6		
New Motor Vehicle Sales	9.5	9.6	13.3	12.9	11	22.6	5.8		
Consumer Bankruptcies (level)	8,150	7,029	3,140	760	623	615	484		
% change	-18.4	-13.8	-17.4	-16.5	-18.3	-16.5	-25.4		
Business Sector									
Rigs Drilling (level)	207	285	248	338	141	86	130	106	222
% change	61.3	37.9	-4.2	-7.5	14.4	4.5	-7.5	-17.5	-30.9
NEW: Goods Exports (customs based)	12.6	18.5	7.8	8.9	17.0	1.1	1.0	8.0	
Energy	17.4	19.4	9.6	10.0	24.2	1.8	1.6	12.9	
Agriculture	-14.3	21.4	12.7	26.3	16.3	10.3	1.3	-10.1	
Total Farm Cash Receipts (quarterly)	-3.7	10.3	-28.3	-28.3					
NEW: Manufacturing Shipments	11.3	18.0	9.2	12.3	8.5	7.1	5.2	1.4	
Wholesale Trade	8.5	15.0	15.5	14.0	19.5	16.9	10.0		
Building Permits	1.3	11.8	14.4	36.9	49.5	20.8	13.3	0.5	
Residential	22.4	5.2	19.6	31.8	2.9	27.0	14.6	1.5	
Non-residential	-18.3	20.9	9.6	64.6	158.5	13.2	11.9	-0.7	
Business Bankruptcies (level)	378	264	134	19	35	29	22	7	
% change	6.7	-30.2	0.8	-26.9	17.6	27.3	37.5	-5	

YTD (year to date) represents the change since the beginning of the year compared to the same period in the previous year.
Unless otherwise indicated, all figures are year over year percentage change.
[1]Quarterly, annual numbers are presented on a calendar year basis (July 1 – June 30).
[2]Quarterly, average of Calgary and Edmonton.
[3]Average of Calgary and Edmonton.

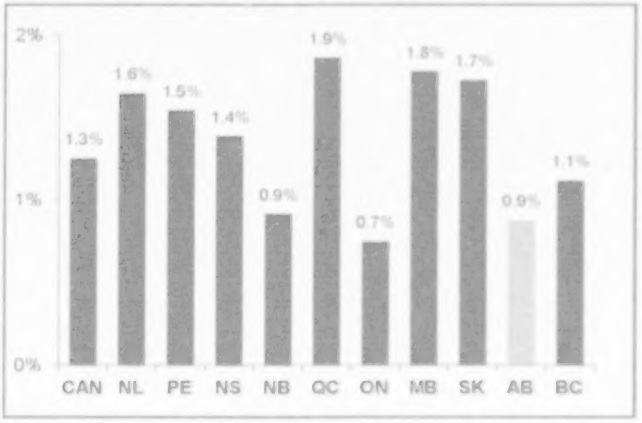
Sources: All data is from Statistics Canada except Housing Starts (Canada Mortgage and Housing Corporation), MLS Average Resale Prices (Canadian Real Estate Association), Rigs Drilling (Canadian Association of Oilwell Drilling Contractors) and Bankruptcies (Office of the Superintendent of Bankruptcy Canada).

Economic Indicators by Province

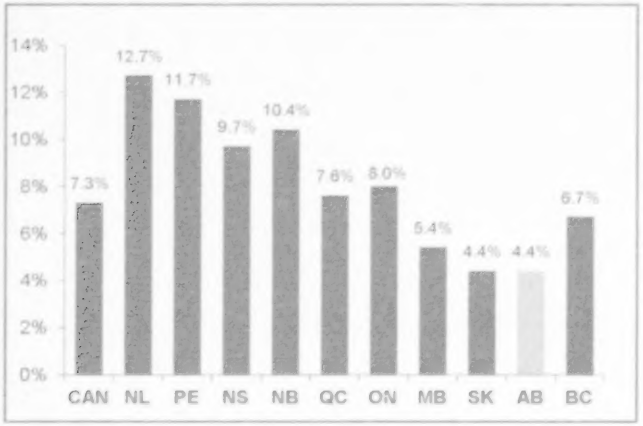
Real GDP Growth by Industry
(2011 preliminary estimates, year-over-year growth)



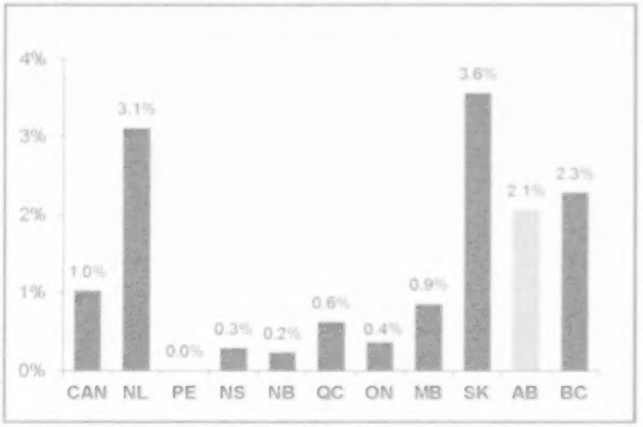
CPI Inflation
(July 2012, year-over-year growth in CPI)



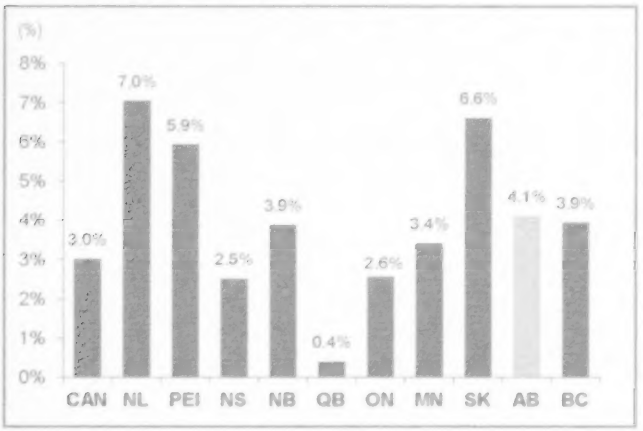
Unemployment Rate
(July 2012)



Employment
(July 2012, year-over-year growth)



Average Weekly Earnings
(June 2012, year-over-year growth)



Housing Starts
(July 2012, SAAR, year-over-year growth)